ATTACHMENT C

STATE OF CALIFORNIA

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California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102

June 22, 2007

Dear Western Electricity Representative:

The California Global Warming Solutions Act of 2006 (AB 32, Statutes of 2006) requires the California state government to account for the greenhouse gases (GHGs) emitted by out-of-state electric generation that serves California's retail electricity load. The California Air Resources Board (CARB) must adopt reporting regulations in support of this effort by December 2007. The California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) are conducting a joint proceeding on the implementation of AB 32 (to recommend a reporting protocol to CARB, as well as other provisions to follow for the electricity sector), and would like to design a program consistent with the views held by other western states as to the type and portion of the electricity that is sold to California from their states.

Between 20 and 30 percent of the electricity consumed in California is generated out-of-state, with about one-quarter coming from the Northwest and three-quarters coming from the Southwest. Electricity imported into California is generated by coal, natural gas, hydroelectric power, nuclear energy, and renewables. Coal-based generation is of particular interest because conventional coal produces significantly more GHGs per unit of energy than do most other generation sources.

Two discussion documents are attached that describe how to account for the types of out-of-state generation resources that are providing power to California. These documents, prepared by the staffs of the CEC and the CPUC, are a draft reporting protocol that California's retail electricity providers would use for AB 32 and a CEC staff report providing supporting analysis. The draft protocol suggests that if a utility has a long-term contract or ownership share with a specific facility, then emissions are attributed to the buyer or owner proportionally. The protocol suggests that if the source of the generated electricity cannot be tracked, a default emissions factor should be used, based on the marginal resources being sold in the Southwest and Northwest. Utilities are generally assumed to serve their own customers with their least-cost resources and then sell excess power to California. This assumption is supported by California's diurnal purchasing pattern for imported electricity, implying that California utilities seldom import baseload power except from the plants they partially own. The protocol also assumes that all existing and prospective renewable generation will be claimed by a state to meet the renewable generation requirements of that state, unless there is a specific long-term contract stating otherwise.

Our preliminary analysis indicates that a collateral consequence of these suggested protocols is that, from an accounting standpoint, the amount of coal-fired generation in other states previously attributed to meeting California's electric load is reduced. The proportion of California's out-of-state power generated from coal would be reported at 45 percent instead of the previous 60 percent. Overall, the contribution of coal-fired generation to California's total electric supply would now be identified at 14 percent instead of 20 percent.

Your office is being provided the enclosed documents with the hope that you will comment on how best to represent the electricity generated in your state and sold to California. Your input will provide California a better understanding of your state's perspective on these issues and ensure that California considers all factors when developing regulations for counting GHG emissions associated with its purchase of imported power. If you would like your comments to be included in the record of the CPUC-CEC joint proceedings, please submit them by July 10, 2007. A noticing order is also attached, which explains the details necessary to place your comments in the regulatory record. The CPUC and the CEC will be issuing their jointly proposed decision in mid-August and adopting reporting protocols in early September.

If you have any questions regarding the reports, please contact Karen Griffin (CEC) at 916-654-4833 or Scott Murtishaw (CPUC) at 415-703-5863. If you have questions regarding the joint proceeding currently being conducted by the CPUC and the CEC, please contact CPUC Administrative Law Judge Charlotte TerKeurst at 415-703-3124.

Both the CPUC and the CEC are very interested in hearing your views on how California should account for its contribution to GHG emissions associated with electricity imports from your state.

Sincerely,

PAUL CLANON, Executive Director
California Public Utilities Commission

B. B. BLEVINS, Executive Director
California Energy Commission

Attachments (4)

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